

ECONOMIC COUNCIL LETTER

Published Semi-Monthly by

NATIONAL ECONOMIC COUNCIL, Inc.

Empire State Bldg., New York 1, N. Y.

903 First National Bank Bldg., Utica 2, N. Y.

834 Investment Building, Washington 5, D. C.

Council Letter No. 194

July 1, 1948

All the News?

This is the story of what happened in Congress, and how two New York newspapers and a weekly news magazine reported it.

The newspapers are the *Times* and the *Herald Tribune*. The magazine is *Time*.

On March 31, 1948, the House of Representatives passed a bill providing the overall "authorizations" for the European Recovery Program (ERP). In accordance with normal Congressional procedure it was understood by all members of the House that any specific *appropriations* would pass through the Committee on Appropriations which would examine them on their merits, recommending them only if justified by the evidence. What else is the Appropriations Committee for?

Some Congressmen voting for the bill specifically referred to this understanding. No member declared his understanding to be otherwise. It is all in the *Congressional Record* for that day.

Subsequently the House Committee on Appropriations held open hearings on the specific amounts requested. Most proponents represented the Department of State where the original budget estimates had arisen, and the Economic Cooperation Administration (ECA) which, under the chairmanship of Mr. Paul Hoffman, had been set up to administer ERP.

The Committee employed its own investigators and had the services of some of the best accountants in the country. It studied the budget figures impartially and with care. It held many hearings in which it sought to get the *facts* upon which the estimates had been made. In so doing it was discharging its normal constitutional duty to know that the figures were neither too high nor too low, and that the appropriations requested would actually advance economic recovery in Europe. Had the Appropriations Committee not done all this, the Congress would have had no adequate information on which to act. Its duty was fully and faithfully performed. The record of the hearings cover some 1500 printed pages.

The study by the House Committee revealed facts that clearly pointed in one direction. Some of the estimates were padded and others were nothing more than guesses—as some witnesses before the Committee readily admitted. In order to present to the House a schedule of appropriations based upon the evidence, the Committee believed the only honest course it could take was to recommend certain specific reductions. This it did.

The report of the Committee was made known to the press on the afternoon of June 3. It was known by the press that the report was based upon many weeks of hearings.

What Two Newspapers Did

On June 4 both the *Times* and the *Herald Tribune* carried front page news stories of the report. Both stories emphasized the size of the cuts, which the *Times* estimated at \$1,745,000,000 and the *Herald Tribune* at two billion dollars. Both stories contained some disjointed quotations from Chairman Taber, but an equal or greater lineage of quotations from others, not members of the Committee, opposing the cuts. In neither paper was there a connected statement of the reasons why the cuts were made. Neither paper even hinted that the Appropriations Committee had engaged in exhaustive investigations.

Both newspapers carried editorial comment that same day. The *Tribune* called the cuts "ill advised" and "cheese-paring," and declared that "the authorizations approved by Congress for these purposes were minimum sums for the tasks involved." It also charged the Appropriations Committee with attempting to "alter by indirection policy decisions that were made after full and free debate." The cuts, it said, would be bad for Congress' "reputation."

The *Times* editorial, headed "Hands Off the ERP," was even more hostile to the House. Lauding "the original schedules drawn up by the Administration on the basis of the elaborate international and national

studies," it charged that the reduction was "to a large extent . . . the work of one man"—Mr. Taber, of course, whom it credited with "parochial statesmanship." The cuts were "a betrayal of American commitments already made and a repudiation of the will of Congress itself." Neither editorial even hinted at the reasons why the House Committee had made the cuts.

For the next seventeen days until June 21 the issue was never off the first page of the late city editions of either paper. The question was mentioned editorially by the *Herald Tribune* eleven times, and by the *Times* seven times.

The original budget requests for ERP from the Department of State included an item of fifteen million dollars to be paid, not to foreign governments, but to certain American newspapers, magazines, news services, motion picture companies and book publishers. The reason given by Mr. J. Noel Macy, for the State Department, was that these enterprises should be reimbursed from ERP funds for sums due them in occupied Germany and Japan which had been paid there in "blocked" marks or yen, and consequently could not be brought back to the U. S. A. in the form of dollars.

Upon publicity being given to this proposal, most of the intended recipients of this money protested that they didn't want it, or at least hadn't asked for it. In the *Chicago Tribune* and on the floor of Congress it was charged that these sums were a "pay off" mainly to the publications which had supported ERP. Mr. Macy said the figures mentioned by his department were not drawn up there. "They are the figures of the publishers," he said.

Among the proposed recipients of this aid were *The New York Times*, *New York Herald Tribune*, *Time* and *Life*. When the payments were attacked as "subsidies," most or all those mentioned issued statements that they had not sought "subsidies" or even repayment of their losses. Some said they would not accept "subsidies." But it was not clear that none would accept "repayments" if they were not considered to be subsidies.

Among the items in which the House Committee made a cut, was the amount to be provided for this payment, which was reduced from fifteen to ten million dollars. This latter amount was included in the bill as finally passed—a curious fact if it is true nobody wants the money.

The Debate in the House

On June 4, the Appropriations Committee report was presented to the House, debated at length and, with some minor amendments, was finally passed late that evening.

In presenting the bill Chairman Taber said, in part:

"Mr. Chairman, the Appropriations Committee has held long and arduous hearings on the foreign aid bill. We have had the Federal agencies and departments concerned with the program appear before us. We have listened with unrewarded

patience to the advocates of this program and to our dismay they failed to produce anything of substance. In other words, the architects of this worldwide relief program have no definite plan and no definite program. There is no Marshall Plan. It is merely a conversational term and we find those who are most vociferous in its support are those who know least about it.

"The budget estimates presented to the committee were not the result of facts and reliable information compiled by intelligent men. They appeared to be the result of a series of after-dinner conversations on which administration economists and planners let their imaginations run riot. . . ."

Declaring his own belief in the necessity to "aid in the recovery and rehabilitation of war-torn countries," Taber said that the \$5,980,000,000 recommended by the Committee as compared with budget requests for \$6,533,000,000, or a reduction of \$553,000,000—ought to be enough to "take care of all essential items." This amount was to be spread over 15 months rather than 12.

Mr. Taber further said:

"The supporters of this vast foreign aid and rehabilitation project can be divided roughly into three categories: First, those level-headed, solid citizens who sincerely believe that we have a moral obligation to help re-establish war-stricken nations so that they, in turn, can do their part in stemming the tide of world communism; second, those who are inveterate 'do-gooders' and support any missionary project that comes down the pike. They will reconvert and reconstruct, whether the relievee likes it or not. With them, it is an obsession; third, the parasites and opportunists who live off the distress of others. . . ."

"Let me say that the great majority of individual Americans fall into the first category. On the other hand, the organized minorities—those who have access to powerful promotion and publicity media—are heavily concentrated in the second and third groups. More than once in the past decade have these traders in special privileges deceived a Congress into believing they voice the sentiments of a majority of the American public. Let me warn you against their smooth representations."

Then Mr. Taber went into the appropriations one by one. He pointed out that budget requests included \$288,000,000 to be given the ERP nations for the sole purpose of using it to pay back debts previously owed to the U. S. A.! Since this amount, over half the sum pruned from the requests, could not possibly be used to reconstruct Europe because it would simply be remitted back to the U. S. A., the Committee eliminated it.

Any reader who desires to get the whole story can find it in the *Congressional Record* for June 4, 1948. This may be obtained from the Superintendent of Documents, Government Printing Office, Washington 25, D. C., with a remittance of nineteen cents.

During the House debate of many hours, practically all the speeches in favor of the proposed cuts were packed with appeals to facts and figures developed in the exhaustive investigation. And practically all the arguments against the cuts stayed at a respectful distance from facts and figures, confining themselves mainly to emotional appeals to have faith in the ERP staff. The level of the discussion can best be shown by quoting from two speeches, one for and the other against, the cuts.

From the remarks of Representative Case of South Dakota:

"In the requests that were made by the European nations . . . for tobacco, they asked for what? For about 247,000 metric tons. . . . But what did the tobacco people in the Department of Agriculture think? Well, that is not enough. So they proposed to increase the allocations on tobacco, and proposed that instead of 240,000 [sic] metric tons we should provide 328,000 metric tons of tobacco. That was their estimate along the first part of the year. They revised it in March and made it 323,000 tons. . . . But it makes me wonder when . . . the tobacco proposed to be provided by the taxpayers of this country for other governments is increased by 80,000 metric tons on the suggestion of our own officials. . . .

"There were no specific requests for cotton in the figures submitted. They had a chart or table which they gave us, and on this table it said, 'N.A.' We asked what 'N.A.' meant. They said, 'Not available,' as to cotton. Then you will find in the hearings at pages 368-369 where I ran that down to find out how we were called upon to provide \$511,000,000. for cotton. The experts before us said cotton was covered in the miscellaneous requirements. Yet the quantities proposed make it almost one-eighth of the entire program and second only to wheat in commodities. If you look over the petroleum figures, you will find that Mr. Levy testified that these tables that had been submitted to us were not correct. But what happened when we hit on the fact that some of the tables offered were not correct? They would say, 'This is a flexible program.' . . . So that was the basis on which we had to act. And no one can deny that they proposed to spend these huge sums on tobacco in excess of the original CEEC request and on cotton and on petroleum according to figures that are not firm."

From a speech opposing the cuts by Representative Mahon of Texas:

"This is a desperate effort, shall I say, to protect our Nation and our world and we must make the program succeed. . . . The American people have always met the challenge of the hour in the days gone by and the American people will meet it again. They have put their shoulder to the wheel and they are not going to falter in the heat of sun; they are going forward. While mistakes will be made and hearts will be heavy because of those mistakes I am confident that Mr. Hoffman and those who

work with them have done the best job they could in a short time in outlining their undertaking. . . . I hope and confidently expect that as the weeks go along and they gain experience in administration they are going to do a reasonably good job; at any rate, they must be given a chance to do it."

On the main issue of extending the time covered by the appropriation from twelve to fifteen months the vote was 148 to 113 to uphold the Committee and make the funds do for the longer period. The final passage, after amendments had been voted down, was by a voice vote.

Then the Propaganda Machine Swung into Action

The next morning, June 5, both the *Herald Tribune* and the *Times* reacted violently to the House action. The news stories in both papers quoted the House debate in such fragmentary form as to leave their readers largely in the dark as to the actual discussion. The quotations attributed to Mr. Taber included no part of the opening paragraphs in which he set forth his basic reasons for the reductions. *And the news columns of neither paper for that day contained so much as a hint of the fact that the Appropriations Committee made its recommendations only after exhaustive hearings.* Both papers again gave as much or more space to the dissenting opinions of others as was given to the story of what actually happened in the House, thus loading the dispatches with adverse opinion.

The *Times* ran no editorial on ERP cuts that day, but the *Herald Tribune*, under the title "A Dangerous Game," editorially called the cuts "the little game the House Appropriations Committee has played." Reiterating its charge of bad faith, the *Herald Tribune* declared:

"The amount requested, and written into the law, is a minimum figure arrived at after months of study and deliberation by the best-qualified experts. Against this we have only Mr. Taber's ill-considered statement that 'we are tackling a project which has been grossly misrepresented to the American public.' He thereby moves into the field of foreign affairs, in which he has no qualifications. . . ."

That is all—no mention was made of any Committee studies. For all the faithful readers of the *Herald Tribune* could know, the choice was between experts with a soundly based plan and a John Taber acting upon prejudice and bias.

This form of treatment characterized the main lines of the argument as set forth editorially and in the news columns of both newspapers for the seventeen day period under scrutiny. It was usually linked with the reiterated cry of "bad faith," which it was alleged compromised the "honor" and the "pledged word" of the United States.

Space does not permit us to convey either the full flavor or the continuous impact of this day by day

attack. Daily the same assertions were repeated, daily great names or the names of those who aspired to office were brought into the dispatches as denouncing the cuts. And day by day the whole point of view as well as the factual basis upon which the cuts were made remained unstated to readers. Certain epithets came into continuous use—someone coined the phrase “meat-ax technique.” Senator Vandenberg was quoted as adopting it, and thereafter it became standard.

Only one major exception to the type of treatment described took place during the whole seventeen day period. On June 9 Senator Vandenberg testified before the Senate Appropriations Committee generally favoring the budgeted amounts rather than the House cuts. He received great space in both papers and his statement was published in full in both the *Times* and the *Herald Tribune*.

On the same day Mr. Taber also issued a statement, saying he did not expect to see the newspapers publish it. This remark was carried in the news columns of the *Herald Tribune*, but not in the *Times*. The Late City Edition of the *Herald Tribune* for June 10 carried Mr. Taber's statement in full, while it was neither carried nor mentioned in the Late City Edition of the *Times*. So in that one issue of the *Herald Tribune* and in that one day's paper alone, its readers were informed of the House Committee's point of view. True, it was given in the very midst of the seventeen day blitz against the Committee, it was buried on page 12, but at least the *Herald Tribune* printed the Committee's point of view in one issue out of eighteen. Thereby it made a record 100 per cent better than the *Times*, which at no time published the Taber statement or any equivalent.

On June 11 the editor of the *Herald Tribune* attacked Mr. Taber hammer and tongs. Coming upon the heels of his revelation to *Herald Tribune* readers that the House Committee had made a thorough study, the line of attack had to be shifted. “The Taber statement,” said the editorial, “is transparently the statement of a man who has no understanding of the broad purposes of the European Recovery Program, no sympathy with its immediate objectives and no grasp whatever of its intended operation.” The *Herald Tribune* picked out of his statement, as proof of Mr. Taber's incompetence, a passage in which he lamented that hard-to-get building materials (especially steel) were being shipped to Europe, thus depriving American veterans of homes, when the European need could be met if we would only permit more manufacture of steel in Western Germany!

The Senate Takes Over

The newspaper charge of bad faith in the House was based, of course, upon the assumption that the “authorization” figures of April were untouchable and that any changes in them compromised the honor and pledged word of the United States. A reversal was expected from the Senate Committee on Appropriations. Senator Vandenberg, Secretary Marshall and Administrator Paul Hoffman testified before the Senate Committee after the House had voted the cuts.

But the Senate Committee, when it reported June 15, gave short shrift to the idea that the April figures were sacrosanct, or that altering them would compromise the honor of the United States. One of its most significant acts was a whopping cut in the appropriation for the International Children's Emergency Fund. On the ground that much of this would be spent behind the iron curtain and that non-communist children there would not receive benefits from it, the Senate Committee reduced the House appropriation from 60 to 20 millions, although confessing that the same proportion of the smaller figure would still go to communist-dominated countries. In conference, the figure was compromised at 35 millions.

Next day, June 16, the *Times* editorialized plaintively about this cut. It ended: “Democracies want the children of today, wherever they live, whoever they are, to be our friends of tomorrow. Will the Senate destroy so vital an investment?” But the significant thing about this editorial is in its omission: *Although the cut is deplored, not once did the Times declare that the Senate Committee had broken the pledged word of the United States—the charge it had repeatedly hurled at Mr. Taber.* When the *Herald Tribune* on June 17 editorialized on the cut it followed exactly the same line—no charges such as those leveled at the House Committee.

The explanation of this tenderness may possibly lie in two things which had happened on the floor of the Senate the day before—one of which the *Times* did not report at all and the other it buried on a back page.

The *Times* did not mention what Senator Vandenberg said to the Senate when Senator Bridges reported for the Appropriations Committee. Senator Vandenberg said to the full Senate:

“IT HAS NEVER OCCURRED TO ME THAT THE FIGURES WHICH CAME DOWN IN THE ESTIMATES WERE UNTOUCHABLE.”

After the fight which had been waged to have most of the ERP cuts restored, one might have expected the *Times* to carry the story of victory in the Senate on page one. It was buried on page 17.

The story contained a rebuke by the Chairman of the Senate Appropriations Committee, confirming in every essential detail the charges of Mr. Taber as to the unreliability of the ERP budget estimates given by the Administration to Congress! If anything, the language employed by Senator Bridges in restoring the cuts was stronger than that of Mr. Taber in making them. The *Times* did not publish all that Mr. Bridges said. But it did publish enough so that, if one were inclined to believe Mr. Bridges rather than the *Times* or the *Herald Tribune*, he would conclude that the whole representation of a carefully studied ERP budget wrecked by a malicious House Committee was a fabrication. Here are some of the words of the Senator which the *Times* itself reported—on page 17:

“It is with great reluctance that the Appropria-

tions Committee this year is forced to recommend that the Congress sign a blank check against a balance of payments analysis that leaves any appropriation recommendation little more than a 'shot in the dark.' . . ."

The *Times* also quoted him as saying that the Executive branch "has not been able to prove a solid case for the \$5,000,000,000 figure" and as warning that no such generous treatment would be accorded requests for another year's appropriation. Not included in the *Times* report were these pungent words of Bridges:

"There was evidenced strong support for the aims and purposes of the foreign-aid programs, and particularly for the European recovery program, but in all the great detail of testimony submitted to the committee *there was little information on which the committee could base a firm, precise, stable, and undisputed appropriation figure.*" (Italics ours.)

It should be noted that although the *Times* did not publish Mr. Taber's statement of June 9, it did publish on June 15 a dispatch by James Reston, of its Washington staff, entitled: STATE DEPARTMENT ANSWERS HOUSE REASONS FOR AID CUT." This curious document purports to state ten House "reasons" with the State Department "answer" following each "reason." The House "reasons" are stated in such abbreviated form that unless one had read the Congressional Record, he would have little idea of what they meant, and the State Department "answers" are little less illuminating. Here is a sample:

"7. Appropriations Committee: Tobacco is in the picture at a rate of \$120,000,000.

"State Department comment: Financing of tobacco has been cut 33 per cent below the levels originally contemplated by the Executive branch. Tobacco is an important item, both as an incentive product and as a means of tax revenues."

This represents the high-water mark of the *Times* in informing its readers of the House Committee's reasons for the cuts.

Walter Lippmann in the *Herald Tribune* insisted that the Taber strategy was all an attempt to secure control of the Republican Party by the "isolationists."

The statements herein, so far as they relate to the *Times* and *Herald Tribune*, are based on inspection of their "Late City Editions." Earlier editions might have carried some items not reproduced in these last editions; but it is usual practice to have all important news retained in the last editions.

On June 4, Congressman Frederick R. Coudert, Jr. of New York, asked five minutes' time on the floor of the House and the following is part of his remarks:

"In the two newspapers I happened to read this morning, one from Washington and one published in my native City of New York, I found not only

in the news columns but in the editorial pages the most violent, intemperate, unjustifiable, and misrepresentative comments upon the distinguished and devoted chairman of this committee [Mr. Taber] and his colleagues, of whom I have the honor to be one, in connection with reporting out this bill.

"What those scholars sitting in their cloistered editorial rooms did not tell their readers—deliberately did not tell their readers—is what has happened since the authorization bill passed this House on the 31st day of March."

Mr. Coudert went on to say that the Secretary of Defense, the Secretary of the Army and others had told the Senate Committee on Foreign Relations in substance, 'If you don't give us some such program as the ERP program, we shall feel obliged to make requests for heavy appropriations for national defense.'

Mr. Coudert then went on to show that though the Congress was appropriating practically everything asked for ERP by the Secretary of State, yet the Secretary of Defense and his associates had nevertheless asked for, and received, huge additional appropriations for national defense.

HOW TIME HANDLED IT

The story of the House cuts in *Time* is a classic example of how what is on its face a factual news report can be loaded with a point of view. Here are some excerpts from *Time* for June 14, 1948:

"What lights does Congress steer by? By & large, the Senate's foreign-policy course had been set by the stars of mature statesmanship. Despite a few erratic zigzags, the House had followed the Senate's lead. Then last week a majority of House members suddenly abandoned the charts and seemed to head for the rocks.

"In the face of previous commitments by both chambers of Congress, the House lopped off more than \$2 billion from funds already authorized for ECA and other foreign aid. The cuts were made by New York's John Taber, a man always vigorous to pare a cheese . . . Responsible Congressmen from both sides of the aisle protested in vain . . . But the economizers were adamant. Barked John Taber: 'The architects of this world-wide relief program have no definite plan.' Stubbornly ignoring the months of conferences and hearings, the volumes of reports, and the testimony of such authorities as ECAdministrator Paul Hoffman and Under Secretary of State Bob Lovett, he protested" etc., etc.

Time then went on to a slanted conclusion, saying that European Communists were "jubilant," that General Marshall was "grim," that Senator Vandenberg was "the angriest man in Washington" over the "House blunder," and that the "damage to Republican

prestige" would be easier to repair than "the damage to U. S. prestige abroad." *Time* failed to mention that House action was taken *only after exhaustive investigation* by its responsible Appropriations Committee.

Some Interesting Questions

Several questions naturally arise at this point.

How are the American people to know whether or when the columns of newspapers and magazines give them the whole truth?

Have the American people, in past moments of decision, been given complete and unbiased reports of essential facts? Were they given essential facts in the steps taken to lead us to war? Were they given such facts during the war? Have they been given a truthful picture of the world situation since the end of the war? Have they been given a truthful picture of what ERP intends to do in Europe and what ERP expenditures will do to the American economy and prices? Have they been given the whole truth about Palestine, about UN and the mysterious if not sinister international alphabetical groups?

If the answer should be that the American people have *not* received a truthful and full report of these things, another question arises.

If in effect news is being falsified, in whose interest is it being falsified? By whose direction or agreement? Can it be in the interest of the American people themselves to have the truth withheld from them?

If it is not being falsified in the interest of the American people, then who stands to benefit?

Merwin K. Hart

President,

NATIONAL ECONOMIC COUNCIL, Inc.

Subscription price of Council Letter, issued semi-monthly, and Action Report, issued monthly, together with Council Review of Books, edited by Rose Wilder Lane and issued monthly:

12 months	\$10.00
6 months	6.00
3 months	3.50
Airmail—Domestic	11.20
Airmail—Western Europe	18.00
Other Countries—Rates on request.	

Special rate for student or teacher, \$5.00 a year.

Send subscriptions to New York office.

Extra copies this Letter:

1 to 10.....	10c each
11 to 99.....	8c each
100	\$7.00
500	\$6.00 per 100
1000	\$5.00 per 100

Special prices for larger quantities on request.

Please add 2 per cent sales tax for deliveries in Greater New York